

SENSITIVE SERVICE TO MEMBERS AND BOARDS: PERAC'S DISABILITY UNIT

The operations of the PERAC Disability Unit are at the very core of the agency's mission. Under the capable leadership of its Director, Barbara Lagorio RN, PERAC's Disability Unit oversees the process associated with four different aspects of disability retirement: the disability retirement application process, comprehensive medical evaluations, rehabilitation, and restoration to service.

The Disability Retirement Application Process

When a member of a contributory retirement system applies for disability benefits, he/she must file a *Member's Application for Disability Retirement* with his/her retirement board. When the retirement board determines that the application is complete, the board (which meets at least once each month) will petition PERAC's Disability Unit to appoint a three-member independent medical panel

to examine the applicant.

To be considered disabled, a member's retirement board must find that the member is totally and permanently unable to perform the essential duties of his/her position. If the member is applying for accidental disability retirement, the retirement board must also find that the member's incapacity is the natural and proximate result of sustaining an injury or undergoing a hazard while performing his/her duties at a definite time and place without willful and serious misconduct on his/her part.

The member is given a 14-day notice of the medical panel scheduled by PERAC. The Medical Panel submits their report to PERAC within 60 days and the report is forwarded on to the retirement board within 5 days of receipt by PERAC.

(Continued on page 2)

ACTUARIAL INSIGHT: STATE TEACHERS' FUNDING PROGRESS

The chart on page 3 shows the funded ratio progress since 1990. The funded ratio represents the actuarial value of plan assets divided by the actuarial accrued liability. When the funded ratio reaches 100%, a system is said to be "fully funded".

The actuarial value of assets used to derive the funded ratio from January 1, 1990 to January 1, 1996 reflects the market value of plan assets. To reduce the potential volatility of the market value approach, in the January 1, 1998 actuarial valuation, we began implementing a methodology that averages realized and

unrealized asset gains and losses over 5 years. Therefore, gains and losses in a given year are not fully reflected in the actuarial value of assets until 5 years later. On January 1, 1998, we began phasing in this methodology and used 97% of market value as the actuarial value of assets. The methodology was fully phased in as of January 1, 2001.

The chart on page 3 indicates the funded ratio on an actuarial basis increased from last year. (On a market value basis the funded ratio increased from 56.1% on 1/03 to 64.9% on 1/04.)

(Continued on page 3)

Also In This Issue

- State Teachers' Funded Ratio
- Meeting with Investment Managers
- CME & RTS
- Release of Addresses of Retirees

Public Employee Retirement Administration Commission

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(From page 1)

Although PERAC staff review each report to confirm that the report is signed, and that the physician uses the correct legal language in the report narrative, it is the retirement board's responsibility to render a final determination as to the member's eligibility for disability retirement.

If the retirement board denies a disability application, the retirement board will advise the member of his/her right to appeal the decision.

Comprehensive Medical Evaluation (CME) and Rehabilitation

After a member retires for accidental or ordinary disability, a Nurse Case Manager in the Disability Unit must review his/her case periodically. PERAC may require a retiree to be evaluated once per year during the first two years of retirement and once every three years thereafter. A CME will also be scheduled upon the written request of the retiree. No member will be evaluated more frequently than once in any twelve-month period.

The Nurse Case Manager reviews the PERAC file and all medical information submitted by the member documenting medical changes since the date of his/her retirement. The Nurse Case Manager may determine that the nature of the member's condition is catastrophic, in which case the member will be excluded from future reviews, or, that a CME by a physician is necessary.

The physician CME evaluates the member's medical and physical condition as it relates to his/her ability to perform the essential duties of his/her job. The CME physician may order medical tests and other medical consults to determine the member's current medical status. In the case of Public Safety retirees, the physician is required to review the Medical Standards established by the Commonwealth's Human Resources Division as well as the Essential Functions of a Municipal Police Office or Firefighter.

In many instances, before concluding the evaluation of a public safety member,

the physician will conduct: pulmonary function tests, audiogram, cardiac stress test, and functional capacity examination. The physician may determine that other tests/consults are also necessary.

A similar process is in place for the Department of State Police for retired troopers with a few exceptions mandated chapter 32, s. 26.

The CME physician then renders his decision, and those outcomes are:

- the retiree is able to perform the essential duties of his/her job. In this instance, the retiree moves on to the restoration to service process;
- or, the retiree is found unable to perform the essential duties of his/her job. In this instance, the retiree will be re-evaluated by a PERAC Nurse Case Manager sometime in the future;
- or, the retiree may be able to perform the essential duties of his/her job with rehabilitation. In this instance, the physician who conducted the CME examination will recommend a rehabilitation program and designs a program that offers the necessary physical, mental and/or vocational services necessary to promote a successful recovery and prepare the retiree for possible restoration to service. Although PERAC has had very few rehabilitation programs recommended for retirees, those that we've had have been reasonable, short term, and cost effective.

Restoration to Service

The final phase of the process is the restoration to service process. Once a retiree is found to be able to perform the essential duties of his/her job, the Disability Unit will compile the retiree's medical records and schedule the retiree for restoration to service examinations. At least one of the physicians (usually two) assigned to conduct a restoration to service examination will be a specialist in the medical field related to the condition for which the member retired. The other physician(s) will specialize in fields whose relevancy is determined by PERAC. A similar process is in place for state troopers with excep-

tions mandated by chapter 32, s. 26. The physicians will complete the Restoration To Service Certificates and return them and the narrative to PERAC's Disability Unit within 60 days of completing the examination. Prior to the retiree being restored to service, all the physicians on the panel must agree that the retiree is able to perform the essential duties of the position from which he/she retired or a similar job in the same department.

Because a period of time may pass before a retiree is actually restored to service, the PERAC Nurse Case Manager and the CME physician continue to monitor the retiree's medical health. If the retiree's condition changes while he/she is awaiting restoration to service, a full examination is conducted before he/she is returned to service.

A Hub of Activity

The following statistics may be of interest:

Average number of medical panels scheduled each year	912
Total Number of CME reviews conducted since inception	9725*
Average number of CME's conducted annually	1620
Average number of CME physician exams annually	176
Total number of retirees returned to service since inception	92**

** Please note that this is a count of the number of reviews conducted, not the number of retirees reviewed. Many retirees have had multiple reviews since the inception of the program.*

*** Please note that this number represents the total number of retirees who have actually been restored to service. In the course of the past six years, the status has changed for some. This is an ever changing number, and the status for each is also subject to changes (i.e., superannuation, terminated from employment, etc.).*

STATE TEACHERS' FUNDING PROGRESS (CONT.)

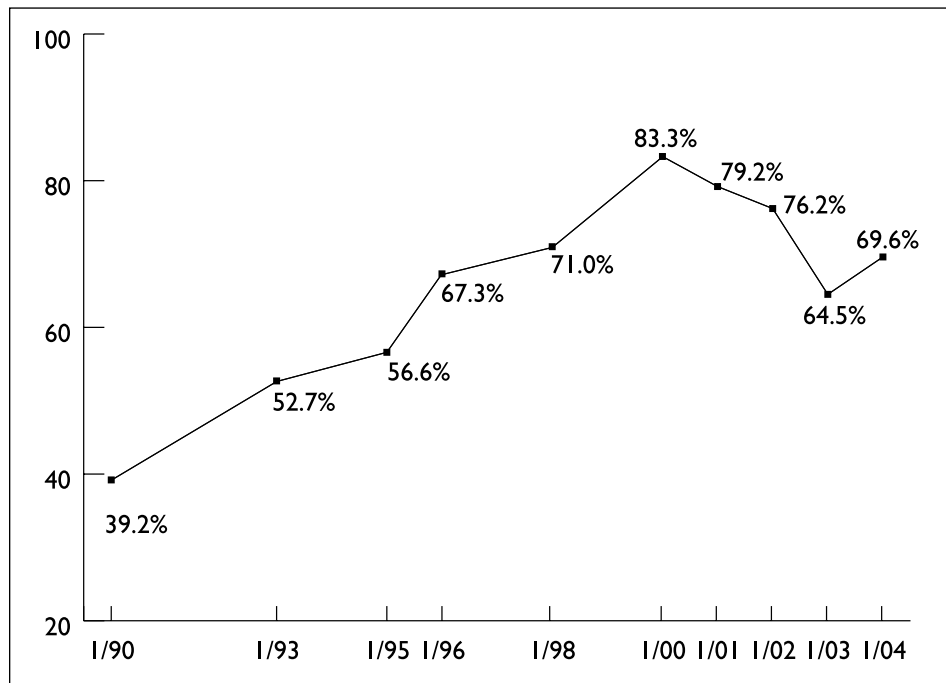
(From page 1)

From 1998 - 2001, the market value of assets exceeded the actuarial value of assets. Consequently, the funded ratio on

an actuarial value basis was less than the funded ratio on a market value basis for those years. For the last three valuations, the market value of assets is less than the

actuarial value of assets, and the funded ratio on an actuarial basis is greater than the funded ratio on a market value basis.

STATE TEACHERS' FUNDED RATIO



ANNUAL MEETING WITH INVESTMENT MANAGERS: AN IMPORTANT REQUIREMENT FOR RETIREMENT BOARDS

Through the end of August, the financial markets remained directionless and rangebound, but the PERAC Investment Unit has been busy with a number of initiatives. One such project has been the effort to determine the extent of retirement boards' compliance with the regulatory requirements to conduct performance reviews with investment managers at least once a year and to make annual determinations that each manager is satisfactorily fulfilling its mandate. The

Investment Unit has been pleased to learn that a large majority of boards do indeed meet with most or all of their managers every year. Many of the boards typically inform their managers of scheduled meeting dates for the coming year at the beginning of each year. Boards that have not conducted such meetings erroneously felt that it was sufficient to rely on their consultant to monitor the managers. PERAC regulation 840 CMR 16.07(2) clearly requires boards to meet annually with

each of their qualified investment managers to discuss strategy, performance, and any organizational changes pertaining to the manager. While other arrangements (such as conference calls) may be permissible if in-person meetings are logistically difficult, retirement boards should note that investment managers generally see periodic meetings with clients as one of the accepted obligations of institutional portfolio management.

RELEASE OF ADDRESSES OF RETIREES

The recent amendment to the public records laws excludes the addresses of public employees and retirees from the definition of “public records.” Under the law, the addresses and telephone numbers can only be released to employee organizations organized pursuant to G.L. c. 150E, non-profit organizations for retired public employees under G.L. c. 180, and criminal justice agencies as defined in G.L. c. 6, § 167.

Several boards have asked how this change in the law will impact the ability of a member of the system to campaign for election to a position on the retirement board, because the addresses of members and retirees cannot be released to a member seeking election to the retirement board.

A possible solution that some boards accepted is to allow a candidate to provide the board’s staff with stamped envelopes

containing the written material that the candidate wishes to distribute. The board’s staff could place labels on the envelopes and mail them. Boards should be guided by the public records laws and regulations when establishing costs for producing public records. An acceptable means of calculating the costs would be 20¢ per page for the cost of the labels plus the hourly wage of the lowest paid employee capable of performing the task.

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